

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 28, 2021

The Salvation Army Pasadena Hope Center Apartments located at 1000 E. Walnut Street in Pasadena, requested and is being recommended for a reservation of \$1,708,098 in annual federal tax credits and \$4,653,298 in total state tax credits to finance the new construction of 66 units of housing serving special needs tenants with rents affordable to households earning 30%-35% of area median income (AMI). The project will be developed by The Salvation Army, a California corporation and will be located in Senate District 25 and Assembly District 41.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD VASH Vouchers.

Project Number CA-21-495

Project Name The Salvation Army Pasadena Hope Center Apartments
Site Address: 1000 E. Walnut Street
Pasadena, CA 90022 County: Los Angeles
Census Tract: 4623.02

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,708,098	\$4,653,298
Recommended:	\$1,708,098	\$4,653,298

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: The Salvation Army Westwood Village, Inc.
Contact: J Koebel
Address: 16941 Keegan Avenue
Carson, CA 90746
Phone: 562-264-3620
Email: J.koebel@usw.salvationarmy.org

General Partner(s) or Principal Owner(s): The Salvation Army Westwood Village, Inc.
General Partner Type: Nonprofit
Parent Company(ies): The Salvation Army, A CA Corp
Developer: The Salvation Army, a California corporation
Investor/Consultant: Enterprise Housing Credit Investments LLC
Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 66
 No. / % of Low Income Units: 65 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / and HUD VASH Vouchers (16 units - 25%)
 HUD Section 8 Project-based Vouchers (49 units - 75%)

Bond Information

Issuer: LACDA
 Expected Date of Issuance: October 1, 2021

Information

Housing Type: Special Needs
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Nick White

55-Year Use / Affordability

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
30% AMI: 55	85%
35% AMI: 10	15%

Unit Mix

65 SRO/Studio Units
<u>1 1-Bedroom Units</u>
66 Total Units

<u>Unit Type</u> <u>& Number</u>	<u>2020 Rents</u> <u>Targeted % of</u> <u>Area Median</u> <u>Income</u>	<u>2020 Rents Actual</u> <u>% of Area Median</u> <u>Income</u>	<u>Proposed Rent</u> <u>(including</u> <u>utilities)</u>
17 SRO/Studio	25%	25%	\$500
22 SRO/Studio	30%	30%	\$598
16 SRO/Studio	30%	30%	\$598
10 SRO/Studio	35%	35%	\$697
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,748,100
Construction Costs	\$21,836,377
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,118,624
Soft Cost Contingency	\$180,000
Relocation	\$885,000
Architectural/Engineering	\$1,649,655
Const. Interest, Perm. Financing	\$1,919,307
Legal Fees	\$344,917
Reserves	\$1,108,896
Other Costs	\$2,257,488
Developer Fee	\$4,280,000
Commercial Costs	\$0
Total	\$38,328,364

Residential

Construction Cost Per Square Foot:	\$412
Per Unit Cost:	\$580,733
True Cash Per Unit Cost*:	\$571,642

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$18,700,000
LACDA	\$4,830,000
City of Pasadena	\$2,000,000
The Salvation Army Loan	\$4,000,000
Leased Land Value	\$2,400,000
Deferred Costs	\$842,127
Contributed/Deferred Developer Fee	\$3,650,000
Tax Credit Equity	\$1,906,237

Permanent Financing

<u>Source</u>	<u>Amount</u>
LACDA	\$4,830,000
City of Pasadena	\$2,000,000
The Salvation Army Inc.	\$5,000,000
Leased Land Value	\$2,400,000
AHP	\$747,750
Deferred Developer Fee	\$600,000
Contributed Developer Fee	\$2,863,467
Tax Credit Equity	\$19,887,147
TOTAL	\$38,328,364

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$32,848,040
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$42,702,452
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,708,098
Total State Credit:	\$4,653,298
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,280,000
Investor/Consultant:	Enterprise Housing Credit Investments LLC
Federal Tax Credit Factor:	\$0.93000
State Tax Credit Factor:	\$0.86000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$32,848,040
Actual Eligible Basis:	\$32,848,040
Unadjusted Threshold Basis Limit:	\$21,651,146
Total Adjusted Threshold Basis Limit:	\$71,881,805

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

100% of the Low Income Units for Special Needs Population

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 4.00% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.